



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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[REDACTED]
Mr. Steven Bodemei
P.O. Box 314 [REDACTED]
Wausau, WI 54402

Dear Mr. Bodemei:

This letter responds to your letter received by our office requesting a ruling with respect to whether your daughter, Elizabeth B. Bodemei, may deduct the amount of IRA contributions from her foreign earned income excluded under section 911 of the Internal Revenue Code ("Code"). Your request does not satisfy the procedural requirements necessary to issue a ruling. However, we are providing you with the following general information.

Treas. Reg. § 1.911-6(a) provides that generally, a qualified individual may not take a deduction, exclusion, or credit, from gross income, to the extent that the deduction, exclusion, or credit is properly allocable to or chargeable against amounts excluded from gross income under section 911(a). The regulation also provides that deductions, exclusions, or credits which are not definitely related to any class of gross income shall not be allocable or chargeable to excluded amounts and are, therefore, deductible to the extent allowed under the Code. Examples of deductions that are not definitely related to a class of gross income include qualified retirement contributions. However, the regulation refers to section 219(b)(1) for limitations on the deductibility of the amount of IRA contributions. Section 219(b)(1) provides that the maximum amount of contributions allowable as a deduction is the lesser of \$2,000, or an amount equal to the compensation includible in the individual's gross income for such taxable year. Here, your daughter's foreign earned income is excluded from her gross income under section 911. Thus, your daughter does not have any "compensation" and cannot deduct any amount of her qualified retirement contributions. See 2000 IRS Publication 590, page 4, and 2001 IRS Publication 590, page 8 (enclosed).

If you have any questions, please call [REDACTED] at (202) 622-3840.

Sincerely,

Phyllis E. Marcus
Branch Chief, Branch 2
Office of the Associate Chief Counsel
(International)

Enclosures